

benefit from the fact it is broken. Similar to the bankers themselves, it seems a number of Republicans care more about making short-term gains than they do about doing what is right for this economy in the long run. Some details of this debate might be complex, but the different sides are as clear today as could be. On one side are consumers and investors, families and businesses and the vast majority of Americans who want us to make sure the financial crisis they just lived through can never happen again.

That is our goal. They knew there was no regulation, minimal regulation, and those people on Wall Street took advantage of that. They were betting on things that would make famous Nevada gamblers blush.

They don't want us to just talk about it, they want us to do something about it. We have to decide who is on whose side here, because we are ready to act. On one side are those who want to make sure we never have a situation like we had before. On the other side we have Wall Street bankers. They are doing pretty well. Two major Wall Street banks reported profits between them of about \$7 billion last quarter. I don't begrudge them making money. That is good. People in our great free enterprise system can make money. I am just saying we have to have rules that don't allow them to cause another problem, as we had, which is second only to the Great Depression. Some say it is worse. These Wall Street bankers are sitting very comfortably. They see nothing wrong with a system that privatizes their gains and socializes their losses. They don't want us to change a thing. Let's decide that we, Democrats and Republicans, are on the side of consumers and investors, families and businesses, and the vast majority of Americans who want us to make sure the financial crisis they just lived through can never happen again.

Those who think this legislation is bailing out Wall Street should look at it again. Let's move forward in a bipartisan manner to get this bill done as quickly as possible, go to conference with the House, have the President sign the bill. The sooner we do that, the more stable our economy will be, not only here in America but worldwide.

#### RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

#### MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period of morning business for 1 hour, with Senators permitted to speak therein for up to 10 minutes each, with the time equally divided and controlled between the two leaders or their designees, with the Republicans controlling the first half and the majority controlling final half.

#### ORDER OF PROCEDURE

Mr. REID. Madam President, I ask unanimous consent that the time for morning business be 1 hour, that the fact that the Republican leader and I took extra time should not count, Republicans having the first half hour and the Democrats having the second half hour.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Georgia.

#### MORTGAGE LENDING

Mr. ISAKSON. Madam President, I rise at a propitious time because the majority and minority leaders addressed the pending bill that is coming out of the Banking Committee and their desire for the bill to be one that is amendable and debatable.

I am here to talk specifically about one facet of the financial crisis and one improvement that is to be made by this bill that needs to be carefully addressed to make sure we don't repeat a mistake made in the 1990s with the failure of the S&L industry.

I have a chart with me. We have heard a lot about mortgages. We all know if it weren't for FHA, if it weren't for VA insurance, if it weren't for the Fed doing Freddie and Fannie a favor, there would not be much mortgage money available right now. It has all run away from the United States because of the subprime crisis and, in fact, because people are nervous about what happened in the financial markets with subprime securities. During this crisis we have been in, beginning in 2005 and going on until now, in my State of Georgia—these numbers are specific to Georgia, but Georgia is the tenth largest State—we see here that of the mortgages in default, totally in default or in foreclosure, it got as high as 8.2 percent on what I refer to as qualified mortgages. Those are mortgages that were made to creditworthy people who had good underwriting standards. Those were good mortgages. Up to 8.2 percent or 1 in 10 of those, at its apex, were either delinquent or pending foreclosure. But 24.7 percent were what is known as subprime or nonqualified loans and were either in mortgage delinquency or in default, 3 to 1.

The reason I show this chart is it demonstrates where the problem happened, not just on Wall Street but on Main Street; that is, in chasing higher yields, in pushing toward a desire for greater home ownership, credit standards got lax, and loans became nonqualified loans that carried a higher interest rate but a much higher risk. It is acknowledged by me and by most, in terms of the housing crisis we have been in, that the largest precipitating factor was shoddy underwriting, loose credit, and subprime mortgages. The legislation coming out of the Banking Committee is going to create some-

thing known as shared risk or lender liability in terms of the making of mortgage loans. I will be the first to tell my colleagues, I am not on the Banking Committee. I haven't seen the final draft. What I will address is what I hope will happen, not what I know will happen.

What I hope the committee will understand is, in its requirement for shared risk, being that the maker of a mortgage retain 25 percent of that mortgage for its lifetime or until it is paid, is the significant amount of capital that is asked for an institution to reserve and a possible amount for a mortgage broker or a mortgage banker but not for an institutional lender. The problem is, there are no institutional lenders like savings and loans anymore. One should revisit what happened with the savings and loan crisis, the Resolution Trust Corporation, and the failure that took place in the late 1980s and late 1990s. In America in the 1970s and 1980s, most of the mortgages made were made by lenders who didn't share the risk. They had 100 percent of the risk. They were savings and loan associations that took deposits, paid a preferential rate of interest over banks by regulatory design to attract the capital, and they held the mortgage in portfolio until it was paid. That is not shared risk. That is total risk.

What were our foreclosure rates in the 1970s and 1980s up until the end of the 1990s? Very marginal, 1 to 2 percent, certainly not 8.2 percent, certainly not 24.7. What happened, though, in the savings and loan industry is, No. 1, the Federal Government took away the interest preference to pay between banks and S&Ls so capital flowed out of the S&Ls. No. 2, because S&Ls then needed to make more money on the internal portfolio, the government allowed savings and loans to create service corporations, which were subsidiaries, to deviate from their original charter and, instead of just making home loans, allowed them to make commercial loans and, in fact, become developers.

What happened? What happened is history. We got off our mission, because we got off the risk. Because we took our eye off the ball, the savings and loan industry across America failed. Congress had to create the Resolution Trust Corporation to dispose of the bad assets around the country and we went through, up until now, the most severe recession we have ever been through. But this one is worse. This one is more pervasive. This one was caused by a lot of financial irregularities and poor oversight on our part, as well as greed on the part of many lenders. My hope is, when we start fixing things with regard to mortgages, we will recognize that shared risk is not going to solve any problem, if 100 percent risk didn't solve it in the late 1980s. What is going to solve the problem is for us to have reasonable standards of required underwriting that are an insulator from institutions